

## Message Text

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PAGE 01 STATE 186000

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: ENRG, CA

SUBJECT: USDOC APPROVES FIRST OIL SWAPS

1. FOLLOWING IS TEXT OF U.S. DEPARTMENT OF COMMERCE  
PRESS RELEASE OF JULY 22, 1976 ANNOUNCING ISSUANCE OF  
EXPORT LICENSES FOR CANADIAN-U.S. OIL SWAPS.

BEGIN TEXT:

SECRETARY OF COMMERCE ELLIOT L. RICHARDSON TODAY  
ANNOUNCED THE ISSUANCE OF EXPORT LICENSES THAT WILL PERMIT  
AN EVEN EXCHANGE OF UNITED STATES CRUDE OIL ORIGINATING  
IN OKLAHOMA AND LOUISIANA FOR CANADIAN CRUDE OIL AS A  
MEANS OF SUPPLYING NORTHERN TIER U.S. REFINERIES THAT WOULD  
BE AFFECTED BY CANADA'S CURTAILMENT OF PETROLEUM EXPORTS.

" THE BENEFICIARIES OF THIS ARRANGEMENT WILL BE  
REFINERIES IN THE NORTHERN TIER OF THE UNITED STATES THAT  
HAVE HISTORICALLY BEEN SUPPLIED WITH CRUDE PETROLEUM BY  
THE CANADIAN INTERPROVINCIAL PIPELINE AND THE CONSUMERS  
OF PETROLEUM PRODUCTS WHO RESIDE IN THEIR MARKETING AREAS,"  
SECRETARY RICHARDSON SAID.

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PAGE 02 STATE 186000

HE ADDED THAT THE EXCHANGE ARRANGEMENTS HAVE BEEN

APPROVED BY THE CANADIAN NATIONAL ENERGY BOARD, WHICH HAS AGREED TO LICENSE CANADIAN EXPORTS OF CRUDE PETROLEUM TO THE UNITED STATES WITHOUT COUNTING THEM IN THE TOTAL QUOTA ALLOWED TO THE U.S. UNDER CANADA'S CURTAILED PETROLEUM EXPORT SCHEDULE.

RICHARDSON, WHO IS CHAIRMAN OF THE PRESIDENT'S ENERGY RESOURCES COUNCIL, SAID, "THIS EXCHANGE IS THE FIRST OF AN ANTICIPATED SERIES OF EXCHANGES OF CRUDE OIL WITH CANADA. SUCH EXCHANGES ARE A SIGNIFICANT BILATERAL APPROACH IN U.S.-CANADIAN COOPERATION IN DEALING WITH OUR ENERGY PROBLEMS".

RICHARDSON SAID ONE LICENSE AUTHORIZES EXPORT OF 3,000 BARRELS PER DAY BY THE MURPHY OIL CORPORATION OF SOUTHERN LOUISIANA CRUDE OIL IN EXCHANGE FOR THE SAME QUANTITY OF CANADIAN CRUDE TO BE DELIVERED TO A MURPHY REFINERY IN SUPERIOR, WISCONSIN.

THE SECOND LICENSE, ISSUED TO KOCH REFINING COMPANY, PERMITS EXPORT OF 4,000 BARRELS A DAY OF OKLAHOMA CRUDE IN EXCHANGE FOR THE SAME QUANTITY OF CANADIAN CRUDE TO BE DELIVERED IN KOCH'S REFINERY IN PINE BEND, MINNESOTA. TWO OF THE HISTORIC RECIPIENTS OF CANADIAN CRUDE PETROLEUM HAVE BEEN MINNESOTA AND WISCONSIN.

BOTH LICENSES ARE FOR THE THIRD QUARTER OF 1976.

RICHARDSON SAID THAT THE FEDERAL ENERGY ADMINISTRATION AND THE DEPARTMENT OF STATE REVIEWED THESE EXCHANGE PROPOSALS AND HAVE RECOMMENDED ISSUANCE OF THE EXPORT LICENSES NECESSARY TO EFFECTUATE THEM.

HE ADDED, "TO MITIGATE THE IMPACT OF THE CANADIAN DECISION TO CURTAIL OIL EXPORTS, A JOINT U.S.-CANADIAN WORKING GROUP CONCLUDED LAST YEAR THAT COMMERCIAL EXCHANGES OF U.S. ORIGIN CRUDE FOR CANADIAN ORIGIN CRUDE OVER AND ABOVE THE CANADIAN QUOTA CONSTITUTE THE MOST PRACTICABLE MEANS OF SUPPLYING CRUDE PETROLEUM TO U.S. NORTHERN TIER REFINERIES AFFECTED BY THE CANADIAN CUT-  
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PAGE 03     STATE 186000

BACK." THE U.S. ORIGIN CRUDE TO BE PROVIDED IN EXCHANGE WILL BE DELIVERED THROUGH EXISTING PIPELINES TO REFINERIES IN ONTARIO.

THE U.S. EXPORTS, BECAUSE THEY ARE OFFSET BY IMPORTS OF AN EQUIVALENT QUANTITY, WILL HAVE NO EFFECT ON THE TOTAL DOMESTIC AVAILABILITY OF CRUDE PETROLEUM. THEY HAVE BEEN LICENSED BECAUSE THEY WILL INCREASE EFFICIENCY OF TRANS-

PORTATION OF NEEDED CRUDE PETROLEUM TO THE NORTHERN  
U.S. REFINERIES.

THE U.S. CRUDE WILL BE CARRIED IN U.S. PIPELINES TO  
NORTHERN MICHIGAN AND ILLINOIS FROM WHERE IT CAN BE  
READILY AND ECONOMICALLY TRANSPORTED TO CANADA. PIPELINES  
DO NOT PRESENTLY EXIST TO TRANSPORT TO THE NORTHERN TIER  
REFINERIES THE CRUDE BEING EXPORTED.

WHILE EXPORTS OF CRUDE PETROLEUM AND PETROLEUM  
ENERGY PRODUCTS ARE GENERALLY PROHIBITED UNDER THE TRANS-  
ALASKA PIPELINE ACT OF 1973 AND THE ENERGY POLICY AND  
CONSERVATION ACT OF 1975, THE U.S. LICENSES WERE ISSUED  
UNDER AN EXCEPTION CONTAINED IN THOSE STATUTES WHICH IS  
REFLECTED IN THE DEPARTMENT'S EXPORT ADMINISTRATION  
REGULATIONS. THIS EXCEPTION AUTHORIZES EXCHANGES IN  
SIMILAR QUANTITY OF CRUDE PETROLEUM FOR CONVENIENCE  
OR INCREASED EFFICIENCY OF TRANSPORTATION.

RICHARDSON SAID THAT THE FEDERAL ENERGY ADMINISTRA-  
TION HAS REVIEWED THESE LICENSE APPLICATIONS AND DETER-  
MINED:

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-- THAT THE PROPOSED EXCHANGES MEET THE OBJECTIVES  
OF SUPPLYING ADDITIONAL CRUDE OIL TO CANADIAN-DEPENDENT  
REFINERIES;

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-- THAT THE DOMESTIC U.S. CRUDE TO BE EXPORTED IS  
NOT BEING TAKEN FROM A CRUDE OIL-DEFICIENT AREA WHERE  
REPLACEMENT WOULD BE DIFFICULT; AND

-- THAT THE EXCHANGES WOULD NOT HAVE ANY UNDESIRABLE  
EFFECTS THAT ARE NOT IN THE NATIONAL INTEREST.END TEXT.  
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PAGE 04 STATE 186000

IT IS ANTICIPATED THAT FUTURE U.S.-CANADIAN OIL  
EXCHANGE EXPORT LICENSE APPLICATIONS WILL BE HANDLED  
ROUTINELY WITHIN THE PROCEDURES WHICH HAVE NOW BEEN  
ESTABLISHED. KISSINGER

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